UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

05-1144; -1145

HARRAH'S ENTERTAINMENT, INC.,
AND HARRAH'S OPERATING COMPANY, INC.,

Plaintiffs-Appellants,

v.

STATION CASINOS, INC., BOULDER STATION, INC.,
PALACE STATION HOTEL & CASINO, INC., SANTA FE STATION, INC.,
SUNSET STATION, INC., TEXAS STATION, LLC,
AND GREEN VALLEY RANCH GAMING, LLC,

Defendants-Cross Appellants.

**Appeals from the United States District Court
for the District of Nevada
in case no. 01-CV-0825, Judge David A. Ezra.**

CORRECTED BRIEF OF PLAINTIFFS-APPELLANTS

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March 23, 2005

CERTIFICATE OF INTEREST

Pursuant to Fed. Cir. R. 47.4, Counsel for Plaintiffs-Appellants, Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., certifies the following:

1. The full name of every party represented by us is:

Harrah's Entertainment, Inc.
Harrah's Operating Company, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by us is:

Not Applicable.

3. The parent companies, subsidiaries (except wholly owned subsidiaries), and affiliates that have issued shares to the public, of the party represented by us is:

Not Applicable.

4. The names of all law firms and the partners and associates that have appeared for the party now represented by us in the trial court or agency are:

Fish & Neave LLP	Norman H. Beamer, Mark D. Rowland, Patricia Campbell, Renée L. Stasio, Ray R. Zado, Andrew Oliver
Law offices of J. William Ebert.	J. William Ebert

5. The names of all law firms and the partners and associates that are expected to appear in this Court are:

Ropes & Gray LLP	Jesse J. Jenner, Norman H. Beamer, Mark D. Rowland, Linda E. Rost

DATED: FEBRUARY 17, 2005

Norman H. Beamer

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TABLE OF ABBREVIATIONS

Abbreviation	Explanation
The '647 patent	U.S. Patent No. 5,761,647 (JAX77-105)
The '362 patent	U.S. Patent No. 6,183,362 (JAX106-132)
The '013 patent	U.S. Patent No. 6,003,013 (JAX133-168)
The Patents in Suit	The '647, '362 and '013 Patents
The Claims at Issue	All claims of the '647 and '362 Patents, and all claims of the '013 patent except claims 1, 2, 21, 22, 31, 39-42, 46, 48 and 49 — *i.e.*, all claims that include the phrase, "theoretical win profile"
Harrah's	Plaintiffs/Counterclaim Defendants-Appellants
Station Casinos	Defendants/Counterclaimants-Appellees
Order	June 3, 2004 Amended Order Granting Defendant's Motion For Partial Summary Judgment Of Invalidity Under 35 U.S.C. § 112. 321 F. Supp. 2d 1173 (D. Nev. 2004) (JAX27-52).
'121 Patent Col:L1-L2	Col refers to the column number of the '121 Patent, L1-L2 refers to the cited lines .

Emphasized Text: unless otherwise noted, all emphasis in quoted text has been added.

STATEMENT OF RELATED CASES

There are no related cases.

STATEMENT OF SUBJECT MATTER AND APPELLATE JURISDICTION

The District Court patent infringement action from which this Appeal is taken was brought under the patent laws of the United States. The District Court had subject matter jurisdiction over these actions pursuant to 28 U.S.C. §§ 1331 and 1338(a). This Court has exclusive appellate jurisdiction over the District Court action pursuant to 28 U.S.C. § 1295(a)(1). Notice of Appeal was timely filed on September 13, 2004, from a Stipulated Order For Entry Of Final Judgment filed August 30, 2004, dismissing all pending claims.

I. STATEMENT OF THE ISSUES

The issues for appeal are:

1. Did the District Court err in holding the Claims at Issue invalid for failure to comply with the definiteness and written description requirements of 35 U.S.C. § 112?

2. Did the District Court err as a matter of law in granting summary judgment that the phrase "theoretical win profile" in the Claims at Issue is indefinite, given that:

a) it is undisputed that the term "theoretical win" has a well known meaning in the pertinent art?

b) the word "profile" is an ordinary English word, and therefore the ordinary meaning of the phrase "theoretical win profile" would be well understood by one of ordinary skill in the pertinent art?

c) the phrase "theoretical win profile" was further defined in the prosecution history of the Patents in Suit, consistent with its ordinary meaning?

d) the phrase "theoretical win profile" is used in the specifications, original application claims, and Claims at

Issue consistent with its ordinary meaning, as confirmed by the prosecution history?

e) during the claim construction proceedings, both Harrah's and Station Casinos offered very similar constructions of the phrase "theoretical win profile," and the District Court adopted Harrah's proposed construction, which was consistent with the ordinary meaning of the phrase, as confirmed by the prosecution history?

3. Did the District Court err in granting summary judgment that the specifications of the Patent in Suit fail to satisfy the written description requirement with respect to "theoretical win profile," as that phrase is used in the Claims at Issue, given that:

a) the phrase "theoretical win profile" literally appears in the original parent specification and claims, and is used consistently with its ordinary meaning, as confirmed by the prosecution history and,

b) there are at least genuine issues of material fact as to this invalidity defense?

II. STATEMENT OF THE CASE

On July 13, 2001, Harrah's commenced suit for patent infringement, alleging that Station Casinos infringed U.S. Patents Nos. 5,761,647, 6,183,362 and 6,003,013 ("the Patents in Suit"). JAX57. On October 5, 2001, Station Casinos filed an Answer and Counterclaim seeking, *inter alia*, declaratory judgment of invalidity, unenforceability and noninfringement of the Patents in Suit.

Pursuant to scheduling orders set by the District Court, the parties conducted discovery and exchanged claim construction statements. On August 6, 2002, Magistrate Judge Robert J. Johnston conducted a claim construction hearing, and on October 6, 2003, Judge Johnston entered an Order construing certain claim terms, including the phrase "theoretical win profile" (which is the focus of this Appeal). JAX8509-11.

During the period of time between the claim construction hearing and the claim construction order, the parties completed discovery, exchanged expert reports, and filed (on January 17, 2003) and fully briefed motions for summary judgment. Station Casinos moved, *inter alia*, for partial summary judgment of invalidity under 35 U.S.C. § 112 as to the Claims at Issue — *viz.*, invalidity of all claims of the Patents in Suit that include the phrase "theoretical win profile." The grounds for Station Casinos' § 112 motion

were that "theoretical win profile" was indefinite, that there was insufficient written description supporting that phrase in the specifications of the Patents in Suit, and that the inventors' best mode of calculating theoretical win profile was concealed.

On October 21, 2003, shortly after entry of the claim construction order and while the summary judgment motions were pending, this case was reassigned to Judge David A. Ezra. On March 23, 2004, the District Court held a hearing on three of the pending motions, including Station Casinos' § 112 motion. On May 19, 2004, the District Court filed an Order granting Station Casinos' motion for partial summary judgment of invalidity under 35 U.S.C. § 112 as to the Claims at Issue. JAX1-26. An amended order was entered June 3, 2004. *Harrah's Entm't, Inc.* v. *Station Casinos, Inc.*, 321 F. Supp. 2d 1173 (D. Nev. 2004) (JAX27-52). The District Court concluded on summary judgment that "to the extent that the Plaintiffs' patents-in-suit contain the limitation of theoretical win profile, they are invalid due to indefiniteness." JAX45 [order at 19]. It additionally found that "the term theoretical win profile is indefinite" and "[a]ccordingly, the written description is inadequate as a matter of law."[1] JAX46.

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[1] Although the District Court denied summary judgment on best mode, in the context of that discussion it found that "the word 'average' in its patent specifications [is] an inadequate disclosure of the alleged best mode."

A stipulated Order For Entry Of Final Judgment was filed August 30, 2004, dismissing all claims, including adjudging the Claims at Issue invalid under 35 U.S.C. § 112 in accord with the summary judgment Order. JAX53-56. Harrah's filed a timely Notice of Appeal as to the final invalidity judgment on September 13, 2004. JAX8771-73. Station Casinos has filed a notice of cross appeal, although it does not appear to be properly directed to modifying or overturning any judgment of the District Court. *See Bailey* v. *Dart Container Corp. of Mich.*, 292 F.3d 1360 (Fed. Cir. 2002).

III. STATEMENT OF FACTS

A. Prior Art Background

As disclosed in the Patents in Suit, prior art casinos had previously implemented computerized customer tracking programs to identify and reward valuable customers. Such programs provided a customer with a casino membership card with a machine-readable identification number. Each identification number linked to an associated customer account in a database on the casino's computer network, which was updated to reflect customer activity. Customers would insert their cards in slot machines or card readers at gaming tables, or give their cards to a casino employee, to

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JAX51. Favorable disposition of this appeal would render this finding a nullity.

have their betting activity monitored and tracked in their accounts. JAX92 1:12-30; JAX121, 1:22-41; JAX151, 1:22-41.

The specifications of the Patents In Suit explain that, "[e]stimates of betting activity are based on a player's time at a gaming table and the minimum bet at the table. Systems for automatically tracking betting activity at slot machines and gaming tables are well known in the art...." JAX94, 6:4-8; JAX123, 6:11-14; JAX153, 6:61-64. One such system was Harrah's own "Gold Card" program, cited and considered by the Examiner, and distinguished by the Applicant, during prosecution of the '647 patent. JAX565-67; JAX584-87.

Prior art casinos used the data generated from these card programs to reward valued customers of the casino based on their monitored betting activity at that casino. For example, a casino could make a decision on whether to "comp" a customer (*i.e.*, award the customer a complimentary meal, room or show), based on the past betting history of the customer at the casino. JAX92, 1:12-18; JAX121, 1:22-28; JAX151, 1:22-28.

The "theoretical win" of a customer's betting activity was one type of data monitored by these systems. Harrah's and Station Casinos each agreed, and the District Court held, that "theoretical win" is a term well known to casino operators and designers of casino systems. As the District Court

stated, theoretical win "is a statistically determined amount of money a casino expects to win from a customer's play, and was a well-known term in the art at the time the instant suits were filed." JAX29.[2] Theoretical win is not the amount actually won from a customer — it is the statistically expected amount that the casino would win for a given gaming session or time period. If a customer is "lucky," he or she will lose less than the theoretical win to the casino; if the customer is "unlucky," more will be lost to the casino. But, at least in theory, over a large number of gaming sessions the total theoretical win of the casino for all betting activity should equal what the casino actually wins. JAX3840.

A representative formula for calculating theoretical win of a particular type of gaming session appears in a prior art patent, also owned by Harrah's:

Rating=(current avg. bet)•(rate of play)•(time code(in)–time code(out))•(hold)

(JAX8406, 6:50-52). "Rating" in this formula is synonymous with "theoretical win," and "hold" is the percentage of each dollar bet by a customer that the casino statistically expects to win. Time code in and out refers to the times that the customer started and stopped a betting session. JAX8405, 4:45-46. More generally, the theoretical win for a particular

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[2] *See also*, JAX97, 12:62-66; JAX127, 13:5-11; JAX157, 14:15-19; JAX3852; JAX3840; JAX3843; JAX8191; JAX3963-64; JAX3108-10; JAX3138.

gaming session is the amount bet during a gaming session (actual or estimated) multiplied by the hold for that particular type of game. JAX3840; JAX3843; JAX3857; JAX1157.

A well known basis for determining the worth of a customer to a casino was to use some cumulative value or function of the customer's theoretical wins for multiple betting sessions at a casino over some period of time. In particular, casinos often used the customer's average theoretical win at the casino per day, per trip, or over some other time period as a statistic. Thus, the worth of a customer to a casino was not solely based on the customer's theoretical win for the game the customer was currently playing, but rather for that customer's average theoretical win for some longer time period. This was a more accurate way of assessing that customer's value to the casino. JAX3840; JAX3843; JAX8190; JAX1157; JAX3110; JAX3138.

As the casino industry grew and the number of states and territories legalizing gambling increased, casino companies built additional casino properties in various locations. Despite the increased number of casino properties affiliated with casino companies, however, conventional casino management practices and the computer systems used by the casino properties retained a localized focus. Each casino monitored, tracked and

rewarded its own customers, independent of other casinos — even independent of other affiliated casinos under common ownership. As stated in the Patents in Suit, "conventional casino management practices continue to treat these [affiliated] casino properties as autonomous, decentralized entities that compete with each other for valuable customers." JAX92, 1:31-2:2; JAX121, 1:42-2:12; JAX151, 1:42-2:12.

B. The Disclosure Of The Patents In Suit

There are three patents in suit. The first is the '647 patent which is directed to methods and apparatus for recognizing a casino customer that participates in gaming at any of a group, or "plurality," of casino properties that are affiliated with one another, such as through common ownership, and determining the worth of that customer to the plurality of properties based on the value of the customer's monitored activity at all of the properties. JAX102-05. The '362 Patent is a continuation of the '647 Patent, and provides for according special status to certain patrons based on monitored activity, and providing such customers a "distinguished service" at the casino property. JAX131. The '013 Patent is a continuation in part of the '647 patent, and employs the use of various physical instrumentalities that alert casino personnel when a special status customer is recognized. JAX34-35.

As the District Court summarized in its summary judgment Order, the Patents in Suit extended prior art systems by, *inter alia*, tracking customers at a ***plurality*** of affiliated casino properties, and making customer data available at all of the casinos for the purpose of awarding comps. JAX34-35; JAX77, lines 1-4; JAX106, lines 1-4; JAX133, lines 1-7; JAX3107.

One aspect of the invention is the use of a "theoretical win profile," which is based on, but expands, the concept of theoretical win as it was commonly used in the casino industry to determine the value of casino customers.[3] Station Casinos' expert succinctly admitted this point:

> [I]n my opinion, theoretical win profile is no different than traditional theoretical win ... other than the multi-property aspect.

JAX8192.

To generate a theoretical win profile from betting activity at multiple casino properties (*i.e.*, the "multi-property aspect"), the patented system monitors activity data collected at each of the affiliated casino properties, maintains a customer database based on all data from all casinos, and

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[3] Although "theoretical win profile" itself is the focus of this Appeal, the inventions of the Patents In Suit differ from the prior art in a number of respects, including providing "a method of rewarding customer patronage," periodically updating a theoretical win profile, and providing complimentaries or services based on the theoretical win profile. JAX3114; JAX3121.

provides access to the database at each of the casinos. The value of customers to the company as a whole is reflected in the database, allowing customers to be comped at any of the affiliated casino properties in accordance with their overall value, regardless of which of the individual casino properties the customers regularly patronized. JAX92, 2:5-3:30; JAX121-22, 2:15-3:40; JAX151-52, 2:23-3:53. As stated in the specifications of the Patents In Suit, "[t]he present invention allows customer data to be accumulated across all casino properties and made available at any casino property...." JAX92, 2:20-23; JAX121, 2:30-32; JAX151, 2:35-38.

The Patents in Suit explain that using data from multiple casino properties insured that the data to be included in a customer's account was more complete, thus allowing the company as a whole to make more consistent comping decisions:

> The present invention is a system and method for implementing a customer tracking and recognition program that encompasses customers' gaming ... at all casino properties affiliated with a casino company.
>
> * * *
>
> For example, the system of the present invention facilitates and expands comping. By tracking customers' gaming activities at all of the company's casino properties, the present invention provides more complete data on which to base comps and provides the same, complete data to each casino employee, regardless of how frequently the customer visits their property. This allows valued customers to be recognized at any casino

property affiliated with the company, regardless of which casino they patronize regularly. It also makes comping more consistent across different casino properties.

JAX92-93, 2:5-10, 2:64-3:7; JAX121-22, 2:15-19, 3:6-16.

The Patents in Suit state that one way to make comping decisions is to use average theoretical win of a customer, using data for the customer from a plurality of casinos:

> Comps are awarded to a customer according to the customer's average daily theoretical win, which is an estimate of the casino's average daily winnings from the customer. The level of comps available to a customer is based on the casino's theoretical win from different gambling activities and the customer's historic level of these gambling activities. For example, on average a casino will win a statistically determinable amount of money, i.e. the theoretical win, from a customer who bets an average of $ 5000 per trip on blackjack. If the customer's ***theoretical win profile*** is large enough, the casino may "comp" the customer a free night's lodging, allowing the customer an additional day of gaming....
>
> Casino employees have some discretion in awarding comps and the practice may vary from one casino property to another. [The disclosed] System ... helps eliminate some of the vagaries introduced by the discretionary nature of comping by providing the same customer data to employees at all casino properties visited by a customer. This ensures that comping decisions will at least be based on consistent estimates of the customer's average ***theoretical win profile***. Regular customers at one casino property of the company who visit a new casino property of the company are more likely to be "comped" at a level consistent with their play at their regular casino property. The national character of the present tracking system also means that the average daily wager figure will include a larger number of data points, since the customer's gaming activities at

> all casino properties are included. Estimates based on this data should be that much more accurate.

JAX97-98, 12:56-13:21; JAX126-27, 12:66-13:31; JAX157, 14:10-42; *see also* JAX3841; JAX8191-92; JAX3109-14.

As stated in the above quotation, the Patents in Suit use the phrase "theoretical win profile" in referring to the use of theoretical win data collected over a period of time and over multiple properties to make comping decisions. The '647 and '362 patents also state that, "[w]in profiles are determined according to gaming data accumulated at any of the casino properties affiliated with the parent company...." JAX95, 8:57-60; JAX124-25, 8:67-9:3. In addition, the Patents in Suit state that the "theoretical win profile" is included in the data stored in the customer's account. JAX96, 9:31-35; JAX125, 9:41-45; JAX155, 10:45-49.

In the above quotation from the specifications, two examples of a theoretical win profile are specifically mentioned: average theoretical win per day and average theoretical win per trip. As would be recognized by a person of ordinary skill in the art, calculation of average theoretical win — whether a straight line or "weighted" average — was a straightforward and commonly-practiced exercise. As would further be recognized, there is no particular formula, method or algorithm required for calculating the theoretical win profile. For example, the total theoretical win over a time

period, rather than the average, could be used to make the comping decision. JAX3110-14; JAX3140.

Significantly, the average theoretical win used in the specification is an example of how the theoretical win profile comprises a single value, calculated as a function of the customer's theoretical win data monitored over a given period of time and over all of the affiliated casinos. Likewise, the total theoretical win is a single value, also calculated from a number of data points. Indeed, in the prior art it was known to use such a single value function when using theoretical win to measure customer worth — albeit in the context of a single casino, *supra*, pp. 7-8. The specifications confirm the use, in the preferred embodiment, of a single value in stating that "[b]etting activity is also reflected ... in a ***separate field*** for purposes of determining a customer's comps." JAX97, 11:27-28; JAX126, 11:38-39; JAX156, 12:50-51.

Regardless of whether the theoretical win profile is embodied as an average, total, or some other "summary or analysis," the theoretical win profile used by a casino company to reward a customer's patronage at any of its affiliated properties included a large number of data points. This approach provided a more accurate estimate of the customer's value to the casino company as a whole because it was based on the customer's betting at

all of the affiliated casinos. JAX97-98, 12:55-13:21; JAX126-27, 12:65-13:31; JAX157, 14:9-42; JAX3112-14; JAX3139.

Consistent with this disclosure, the Claims at Issue also use the phrase "theoretical win profile," and confirm that the theoretical win profile must be updated as a "function of estimated winnings from the monitored betting activity of the customer at the plurality of casino properties over a time period." *E.g.*, JAX102.

C. The Prosecution Of The Patents In Suit

The original parent application that led to the '647 patent included application claims 5 and 6, which used the phrase "theoretical win profile." For example, dependent application claim 6 (together with its corresponding independent application claim 1) required:

> 1. A method for rewarding customer patronage at a plurality of casino properties, the method comprising the steps of:
>
> assigning an identification number and an associated account to a customer;
>
> monitoring the customer's betting activity at each of the plurality of casino properties;
>
> accumulating points in the associated account according to the monitored betting activity; and
>
> accessing the customer's account at any of the plurality of casino properties to determine the points accumulated.
>
> 6. The method of claim 1, including the additional step of recording the customer's monitored betting activity separately

for each visit to one of the casino properties for use in determining a ***theoretical win profile*** for the customer.

JAX498-99.

The First Office Action rejected all pending claims, *inter alia*, as obvious in light of the Harrah's Gold Card program, *supra*, p. 6. In response, Applicant distinguished the Gold Card system from the claimed inventions by amending all of the pending claims to require use of a "theoretical win profile," including requiring that it be updated as a "function of estimated winnings from the monitored betting activity of the customer at the plurality of casino properties over a time period." Applicant further explained and defined the phrase "theoretical win profile" to the Examiner:

> First, the theoretical win profile is ... an estimate of how much money the casino should theoretically win from the customer according to the monitored betting activity.
>
> For example, assume two different players, one playing slots and one playing blackjack, each betting $100. Assuming a 1 point to 1 dollar ratio for both games, both players have the same accumulated points, namely 100 points. However, the statistical percentages that the casino wins from slots and blackjack are different, and may be 3% for slots and 8% for blackjack. In this very simplified example, the theoretical win profile for the slots player is $3, and the theoretical win profile for the blackjack player is $8.
>
> Second, the theoretical win profile is based on the overall betting activity of the customer at a plurality of casino properties, not merely a single property. The theoretical win profile is for providing complimentaries or services to the

> customer. As a result, customers who gamble at various ones of the properties will have a theoretical win profile that is based on all of their betting activity at the various properties, not merely at a single property, and not merely an individual theoretical win profile at each of the individual casino properties. In accordance with the claimed invention then, such a customer may be provided with complimentaries or services based on the overall estimated winnings from the customer across all properties, not merely based on the customer's betting activity at a single casino. This method rewards the customer's patronage at the plurality of casino properties....
>
> Third, theoretical win profile is based on a time period, such as the estimated winnings over an hour, a day, a trip, or other period of time....

JAX584-85. This explanation of theoretical win profile was consistent with how a person having ordinary knowledge and experience in customer tracking in casinos would have understood theoretical win profile from the patent application. JAX3140.

The Examiner then allowed all of the claims, giving as his reason for allowance that the "prior art does not disclose as the applicant has specifically claimed, namely, a method of rewarding patronage which included a feature of updating a theoretical win profile." The Examiner then paraphrased Applicant's definition of that phrase, and summarized (JAX651):

> Thus, the applicant's claimed invention is allowed because of the specific description or definition of "theoretical win profile" as provided by the Applicant.

D. The Claim Construction Proceedings Below

During the claim construction proceedings, both Harrah's and Station Casinos agreed that the phrase "theoretical win profile" needed construction by the Court. Both submitted proposed constructions:

Harrah's Proposed Construction	*Station Casinos' Proposed Construction*
A "theoretical win profile" is a summary or analysis of estimates of a casino's winnings from a customer's betting activity over a period of time, such as an hour, day or trip. In the context of the claimed invention, a theoretical win profile of a customer is generated based on estimates of casino winnings from the customer across the affiliated casino properties.	"theoretical win profile" – means an estimate of how much money the casino should theoretically win from the customer according to monitored betting activity, and is based on (1) the overall betting activity of the customer at a plurality of casino properties and (2) a time period, such as the estimated winning over an hour, a day, a trip, or other period of time.

JAX8509.

In advocating its construction, Station Casinos admitted:

> This ... is an example where the intrinsic evidence is clear as to what theoretical win profile means .... [T]he patent applicant, expressly defined during the prosecution history of the patent what theoretical win profile means.
>
> And the examiner actually allowed the claims based upon this interpretation....

JAX1096. At no time during the claim construction proceedings did Station Casinos even hint that the "theoretical win profile" was not amenable to a definite construction.

The Magistrate Judge conducted the claim construction hearing, and, while observing that the parties proposed definitions were "strikingly similar," adopted Harrah's construction of "theoretical win profile." JAX8509-11. Subsequently, at the hearing on the summary judgment motions, Station Casinos' counsel stated that "the definition of theoretical win profile has already been resolved, we believe, by the Court's *Markman* order...." JAX8520. Harrah's agreed.

IV. SUMMARY OF ARGUMENT

A. "Theoretical Win Profile" Is Not Indefinite

The District Court's summary judgment of indefiniteness should be reversed because, as a matter of law, the phrase "theoretical win profile" is not indefinite. First, the components of "theoretical win profile" have well-recognized meanings. In the phrase "theoretical win profile," it is undisputed that the term "theoretical win" is a well understood term in the art of casino management systems and "profile" has a well established ordinary English meaning. From this ordinary meaning, and as further defined in the prosecution history, the correct construction of "theoretical win profile" follows as a matter of course: "a summary or analysis of estimates of a casino's winnings from a customer's betting activity over a period of time, such as an hour, day or trip ... across the affiliated casino

properties." The prosecution history and the specification are consistent with this definition, and the language of the claims supports this definition.

Second, where claims are readily construed by the Court and the parties, they cannot be indefinite as a matter of law. Here, the Magistrate Judge readily construed "theoretical win profile" based in part on Station Casinos' own proposed definition of "theoretical win profile" which was "strikingly similar" to Harrah's proposed construction.

Third, the District Court erred in concluding, based on the fact that "theoretical win profile" is broadly defined to be any "summary or analysis" of theoretical win data (over a period of time and across affiliated casinos), that therefore the phrase was indefinite. The District Court confused claim breadth with claim indefiniteness. It was well within the Harrah's inventors' rights to broadly define theoretical win profile without limiting that term to a specific formula or algorithm. That a claim is broad, does not mean that a claim is indefinite.

Fourth, the District Court erred in mischaracterizing the adopted construction of "theoretical win profile" as "functional," and, from that, misunderstanding the legal significance of so-called "functional" claim language. In the first place, the Magistrate Judge's construction of "theoretical win profile" is not functional— it defines what the theoretical

win profile is, not what it does. Furthermore, it is well established that there is nothing wrong with the use of functional language in drafting patent claims.

In addition, the District Court misapplied this Court's jurisprudence concerning claim elements that are subject to the provisions of the sixth paragraph of Section 112, incorrectly treating the claim elements that contained "theoretical win profile" as subject to Section 112(6), and concluding indefiniteness because the specification supposedly failed to disclose sufficient structure to support those claims. But "theoretical win profile" is not used in any "means plus function" or "step plus function" claim elements, and in any event the computer system elements called for by the claims are amply disclosed in the specification.

Finally, the District Court erred in its treatment of a particular alleged prior art system, the Harrah's Northern Nevada Regional Marketing System, as somehow relating to indefiniteness. The Court erroneously characterized this art as "close," and from that concluded that the Magistrate Judge's construction of "theoretical win profile" was insufficiently precise to distinguish from that alleged art. Here, the Court confused fact issues in dispute with legal issues amenable to resolution in the context of summary judgment. There is a genuine dispute as to whether or not the Northern

Nevada Regional Marketing System discloses use of a theoretical win profile. That issue will be resolved at trial. That such disputes exist can not be a basis for concluding indefiniteness.

B. "Theoretical Win Profile" Has Written Description Support

The District Court's grant of summary judgment of invalidity based on asserted lack of written description support for "theoretical win profile" should also be reversed. In the first place, the phrase "theoretical win profile" appears in the original '647 parent specification, and in the originally filed application claims. For inventions arising from "predictive" technologies such as are present here, that fact alone provides complete written description support for the claims.

In addition, there are at least genuine issues of material fact as to whether the written description requirement has been met. There is ample evidence that both the phrase "theoretical win profile" itself, and the Magistrate Judge's construction of that phrase, have support in the specifications of the Patents In Suit. In concluding that the written description requirement was not met here, the District Court relied exclusively on its incorrect indefiniteness analysis. Because the Court erred in its indefiniteness analysis, the Court's basis for finding lack of written description is likewise flawed.

V. ARGUMENT

A. Standards of Review

Summary Judgment: The District Court's grant of summary judgment is subject to *de novo* review and is reviewed without deference. *Omega Eng'g, Inc.* v. *Raytek Corp.*, 334 F.3d 1314, 1320 (Fed. Cir. 2003). Summary judgment is appropriate only if there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. *Id.* In determining whether there is a genuine issue of material fact, this Court views the evidence in the light most favorable to the party opposing the motion and resolves all doubts in favor of the non-movant. *Id.*

The inquiry involved in ruling on a motion for summary judgment necessarily implicates the evidentiary standard of proof for the issue being considered. Thus, review of summary judgment of patent invalidity must take into account the clear and convincing evidentiary standard in determining whether a genuine issue of fact exists. *Anderson* v. *Liberty Lobby, Inc.*, 477 U.S. 242, 252-55 (1986).

Claim Construction: Claim construction is a matter of law and is reviewed without deference. *Markman* v. *Westview Instruments, Inc.*, 52 F.3d 967, 979, (Fed. Cir. 1995) (*en banc*), *aff'd*, 517 U.S. 370 (1996).

Indefiniteness: A determination that a patent claim is invalid for failure to meet the definiteness requirement of 35 U.S.C. § 112, ¶ 2 is a conclusion "that is drawn from the court's performance of its duty as the construer of patent claims [and] therefore, like claim construction, is a question of law" as to which this Court exercises plenary review, without deference. *Bancorp Servs., L.L.C.* v. *Hartford Life Ins. Co.*, 359 F.3d 1367 (Fed. Cir. 2004); *Atmel Corp.* v. *Info. Storage Devices, Inc.*, 198 F.3d 1374, 1378 (Fed. Cir. 1999).

Written Description: Whether claims are invalid under § 112 for failure to comply with the "written description" requirement is a question of fact. *Vas-Cath Inc.* v. *Mahurkar*, 935 F.2d 1555, 1563 (Fed. Cir. 1991); *Teleflex, Inc.* v. *Ficosa N. Am. Corp.*, 299 F.3d 1313, 1330 (Fed. Cir. 2002). However, because this Appeal is taken from a summary judgment of invalidity based on failure to satisfy the written description requirement, the above standard of review for summary judgment determinations applies. Therefore, where, as here, genuine issues of disputed fact exist with respect to written description, summary judgment should be reversed.

B. Claims containing the phrase "Theoretical Win Profile" are not indefinite

The District Court's summary judgment of indefiniteness should be reversed because, as a matter of law, the phrase "theoretical win profile" is not indefinite. The Patent Act requires that the claims of a patent "particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention." 35 U.S.C. § 112, ¶ 2. If those who are skilled in the art would understand what is claimed, then the claim is not indefinite. *Personalized Media Communications, L.L.C.* v. *Int'l Trade Comm'n*, 161 F.3d 696, 705 (Fed. Cir. 1998); *Orthokinetics, Inc.* v. *Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1576 (Fed. Cir. 1986). Furthermore, the claim must be read in light of both the specification and the prosecution history. *All Dental Prodx, LLC* v. *Advantage Dental Prods., Inc.*, 309 F.3d 774, 780 (Fed. Cir. 2002) (holding that the prosecution history can "clarify the claim meaning and hence provide definiteness").

The term "theoretical win profile" is not indefinite. In the first instance, those skilled in the art (including Station's own experts, see *supra* p. 23) understand that term. Additionally, the term was readily construed, its component parts all have well understood meanings, and the specification and prosecution history are consistent with the claims. See *supra* pp. 26-33.

1. When the meaning of a term is reasonably discernable, the term is not indefinite

a. The components of "theoretical win profile" have well-recognized meanings

If the component words of a phrase have well-recognized meanings, then the phrase is not indefinite. *Bancorp*, 359 F.3d at 1372. This is true even if there is no accepted definition of that phrase in the art. *Id.* Furthermore, it is not necessary that the meaning of a phrase be defined in the patent. In *Bancorp*, the phrase at issue was not defined, or even used, anywhere in the specification of the patent. *Id.* at 1373. As the *Bancorp* court explained, despite the absence of an express definition of the phrase at issue, the components of that phrase had "well-recognized meanings, which allow[ed] the reader to infer the meaning of the entire phrase with reasonable confidence." *Id.* at 1372.

In the phrase "theoretical win profile," it is undisputed that the term "theoretical win" is a well understood term in the art of casino management systems: "the statistically determined amount of money a casino expects to win from a customer's play" over a period of time, *supra*, p. 7. More succinctly, theoretical win is "an estimate of the winnings of a casino from a customer's bets." JAX8509.

In addition, as Station Casinos admits, the pertinent ordinary English language definition of "profile" is:

> A formal summary or analysis of data, often in the form of a graph or table, representing distinctive features or characteristics.

JAX8335.[4] To like effect:

> **Profile**.... A verbal, arithmetical, or graphic summary or analysis of the history, status, etc., of a process, activity, relationship, or set of characteristics: ... *a profile of national consumer spending*....

The Random House Dictionary of the English Language, 2nd Ed., 1987 (italics in original). This latter dictionary was not relied on below, but is submitted to confirm the record before the District Court, as permitted by the applicable authorities. *Vitronics Corp.* v. *Conceptronic, Inc.*, 90 F.3d 1576, 1584 n.6 (Fed. Cir. 1996).

The ordinary meaning of "theoretical win profile" follows as a matter of course: "a summary or analysis of estimates of a casino's winnings from a customer's betting activity over a period of time, such as an hour, day or trip." JAX8509. As discussed in the next section, the prosecution history

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[4] Station Casinos relied on this definition in its summary judgment reply brief, and Station Casinos' counsel cited and relied on this definition at summary judgment oral argument. JAX8427; JAX8335; JAX8538. Although Harrah's objected below to Station Casinos' insertion of this extrinsic evidence as untimely (JAX8320-21), the Court allowed it, and for purposes of this Appeal Harrah's withdraws its objection.

confirms this definition and provides that the theoretical win profile be generated across the affiliated casino properties.

b. The prosecution history is consistent with the plain meaning of "theoretical win profile"

"The primary purpose of the definiteness requirement is to ensure that the claims are written in such a way that they give notice to the public of the extent of the legal protection afforded by the patent." *All Dental*, 309 F.3d at 779. To that end, the claims must be construed in light of both the patent specification and the prosecution history. *Id.* at 780. "The prosecution history can thus be relied upon to clarify the claim meaning and hence provide definiteness." *Id.* (citation omitted). In *All Dental*, the phrase at issue was not included anywhere in the originally filed patent application (including the original claims) but was added during prosecution to distinguish over prior art. *Id.* at 777. While the Federal Circuit upheld the district court's claim construction, it reversed the finding that the claims were indefinite, in large part because the prosecution history clarified the meaning of the phrase. *Id.* at 780.

In the present case, during prosecution, the applicant explained that "theoretical win profile" is "an estimate of how much money the casino should theoretically win ... based on the overall betting activity of the customer at a plurality of casino properties ... [and] based on a time period,

such as the estimated winnings over an hour, a day, [or] a trip...." A584-85. This explanation was consistent with the specification, which emphasizes the collection and use of data from a plurality of casino properties, *supra* Section I.B. The language of the claims also supports this definition. For example, claim 1 of the '647 patent requires, *inter alia*, "periodically updating a theoretical win profile for the customer as a function of estimated winnings from the monitored betting activity of the customer at the plurality of casino properties over a time period, the theoretical win profile for subsequently determining complementaries or services..." JAX102, 22:23-28.

Thus, a person of ordinary skill would have no difficulty delineating the bounds of "theoretical win profile," as so defined. The claimed "theoretical win profile" is present if a plurality of affiliated casino properties base comping decisions on:

(i) a summary or analysis of estimates of a casino's winnings from a customer's betting activity;
(ii) over a period of time; and
(iii) across the affiliated casino properties.

In fact, there are numerous specific formulas that casinos use to summarize or analyze theoretical win data. The specifications explicitly disclose averaging the theoretical win data, *supra*, p. 12. It was also

common to use the total theoretical win data, *supra*, p. 14. The average or total could be expressed, for example, in dollars, on a scale of 1-10, or as a color code (*e.g.*, bronze, silver, gold, platinum). JAX1137; JAX3799. The claims and specification place no limitation on the specific formula or function, and the manner of displaying the results that could be used, as long as the multi-property and time period constraints are met.

2. Where claims are readily construed by the Court and the parties, they cannot be indefinite as a matter of law

Although the Magistrate Judge had no difficulty in this case, even if a claim poses a difficult issue of claim construction, the claim is not indefinite if it is at all amenable to construction. In *Exxon Research & Eng'g Co.* v. *United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001), this Court explained that if the meaning of the claim is discernible, "even though the task may be formidable and the conclusion may be one over which reasonable persons will disagree, ... the claim [is] sufficiently clear to avoid invalidity on indefiniteness grounds." As stated in *Verve, LLC* v. *Crane Cams, Inc.*, 311 F.3d 1116, 1120 (Fed. Cir. 2002), "the fact that the parties disagree about claim scope does not of itself render the claim invalid."

By finding claims indefinite only if reasonable efforts at claim construction prove futile, the statutory presumption of patent validity is

preserved. *See* 35 U.S.C. § 282; *Exxon*, 265 F.3d at 1375 ("[This Court] protect[s] the inventive contribution of patentees, even when the drafting of their patents has been less than ideal."). Thus, "close questions of indefiniteness in litigation involving issued patents are properly resolved in favor of the patentee." *Id.* at 1380.

Here, the Magistrate Judge correctly, and without any difficulty, construed "theoretical win profile" for purposes of the Claims at Issue as follows:

> A "theoretical win profile" is a summary or analysis of estimates of a casino's winnings from a customer's betting activity over a period of time, such as an hour, day or trip. In the context of the claimed invention, a theoretical win profile of a customer is generated based on estimates of casino winnings from the customer across the affiliated casino properties.

Supra, p. 18.

Furthermore, Station Casinos' own proposed definition of "theoretical win profile" was "strikingly similar" to Harrah's proposed construction, thus confirming that Station Casinos, its counsel and its experts had no difficulty in understanding the phrase. JAX8509. Indeed, Station Casinos' expert admitted:

> I do not see a definition in the specifications of the patents-in-suit of "theoretical win profile" that is somehow unique to what was commonly known at the time (May 24, 1995) as "theoretical win," other than the fact that it was somehow based on data from monitored betting activity at multi-properties.

JAX8191.

Although the District Court recognized that the Magistrate Judge had construed "theoretical win profile," and that Station Casinos had proposed a construction of that phrase that was "strikingly similar" to the Magistrate Judge's construction, the Court apparently accorded these facts little or no weight. The Court merely noted these facts, and concluded that Station Casinos' proposed construction was not a binding admission. JAX31-32. To the contrary, as Station's counsel stated, "the intrinsic evidence is clear as to what theoretical win profile means.... [T]he patent applicants expressly defined during the prosecution history of the patent what theoretical win profile means." JAX 1096.

The District Court relied on *Intervet Am., Inc.* v. *Kee-Vet Labs., Inc.*, 887 F.2d 1050, 1053 (Fed. Cir. 1989), for the proposition that submission of a proposed claim construction is not an admission of definiteness.[5] JAX32. But Station went beyond merely submitting a proposed construction, and regardless, *Intervet* is inapposite. In *Intervet*, this Court addressed the issue of interpreting claims during claim construction, and admonished courts not

[5] The District Court also relied on *ASM America, Inc.* v. *Genus, Inc.*, No. C-01-2190-EDL, 2002 WL 1892200 (N.D. Cal. Aug. 15, 2002), which is equally inapposite. In *ASM*, the defendant did not propose a claim construction for the term it argued was indefinite. *Id.* at *15.

to rework the claims to preserve validity. 887 F.2d at 1053. That is not the issue here.

Both the fact that the Magistrate Judge easily construed the phrase "theoretical win profile" and the fact that Station Casinos proposed a construction strikingly similar to that construction differentiate this case from the situation where all "reasonable efforts at claim construction prove futile." *Exxon*, 265 F.3d at 1375. A claim that is subject to construction is not invalid for indefiniteness. *See Bancorp*, 359 F.3d at 1372. *All Dental* is also instructive:

> [W]e conclude that the phrase means exactly what the district court said it means.... Where we differ from the district court is on whether the phrase as so construed is indefinite. The meaning of the phrase ..., arrived at after reviewing the specification and consulting the prosecution history, is indeed definite and clear. Thus, the district court construed the phrase correctly, yet erred in concluding that the phrase was indefinite.

309 F.3d at 780. The present Appeal parallels *All Dental* – where the claims are readily construed by the court and the parties, they cannot be indefinite as a matter of law. The District Court's conclusion to the contrary should be reversed.

3. The District Court's Indefiniteness Conclusion was Based on Reasoning that is Incorrect as a Matter of Law

Despite the record to the contrary, the District Court erroneously concluded that "theoretical win profile" was indefinite. The Court's analysis is erroneous as a matter of law in several respects.

a. The breadth of the claims is unrelated to their validity under 35 U.S.C. § 112, ¶ 2

The first flaw in the District Court's reasoning was that it confused breadth with indefiniteness. That a claim is broad does not render the claim indefinite. *See, e.g.*, *SmithKline Beecham Corp.* v. *Apotex Corp.*, 365 F.3d 1306, 1315 (Fed. Cir. 2004); *In re Robins*, 429 F.2d 452, 458 (C.C.P.A. 1970) (holding that even though the claims were of "immense" breadth, they were not indefinite); *In re Gardner*, 427 F.2d 786, 788 (C.C.P.A. 1970) ("Breadth is not indefiniteness."). Rather, the test for definiteness requires that "the claim delineate[] to a skilled artisan the bounds of the invention," regardless of its breadth. *SmithKline Beecham*, 365 F.3d at 1315.

As the Court noted, various types of mathematical calculations, such as averaging, could be used to generate a theoretical win profile. JAX39. The mathematical formulae for all forms of average — straight line, weighted, or otherwise — are well known to those of skill in the art and can be readily calculated. JAX3112-14. As one of ordinary skill in the art

would readily understand, these types of averaging, and any other "summary or analysis" of theoretical win data for a customer over a plurality of "affiliated casino properties" and over some "period of time" constitute a theoretical win profile. *Supra*, p. 31.

However, the District Court improperly relied on the testimony of Station Casinos' expert that the term average "'itself is vague because there are many interpretations of average.'" JAX39-40. Based on this assertion, the District Court erroneously concluded it was "impermissibl[e]" to "attempt to claim every method of calculating, using every type of commutative mathematical operation, to achieve [the] three part description of a theoretical win profile." JAX41. Both the Court and Station's expert confused the breadth of "theoretical win profile" with its definiteness. Contrary to the Court's conclusion, it was well within the Harrah's inventors' rights to broadly define theoretical win profile without limiting that term to a specific formula or algorithm.

b. The District Court erred in characterizing the construction of theoretical win profile as a "functional test," and compounded that error in relying on that characterization as a ground for indefiniteness

The District Court further erred in misunderstanding the legal significance of "functional" claim language in at least three respects. First,

the Court incorrectly concluded that the term "theoretical win profile" was functional. JAX40. As explained by this Court's predecessor, "the characterization 'functional' ... indicate[s] nothing more than the fact that an attempt is being made to define something (in this case, a composition) by what it does rather than by what it is (as evidenced by specific structure or material, for example)." *In re Swinehart*, 439 F.2d 210, 212 (C.C.P.A. 1971).

Under the Magistrate Judge's construction, "theoretical win profile" has three characteristics: (i) it must be a "summary or analysis of estimates of a casino's winnings from a customer's betting activity"; (ii) "over a period of time;" and (iii) "across the affiliated casino properties," *supra*, p. 31. This construction is not functional – it defines what the theoretical win profile is, not what it does. For the method claims, the theoretical win profile appears in steps calling for such specific acts as "periodically updat[ing] a theoretical win profile"; using the theoretical win profile for "determining complimentaries and services"; and "storing the theoretical win profile." JAX102. Likewise, the system claims comprise specific structure, such as computer systems and a central database that stores and uses the theoretical win profile to award comps. JAX103-104. Thus, "theoretical win profile" is not functional.

The District Court's erroneous analysis was also mired in an obsolete view of functional claims as somehow being improper or suspect. "[T]here is nothing intrinsically wrong with the use of [functional language] in drafting patent claims." *Swinehart*, 439 F.2d at 212. Furthermore, "there is no support, either in the actual holdings of prior cases or in the statute, for the proposition, put forward here, that 'functional' language, in and of itself, renders a claim improper." *Id.* at 213; *see also In re Roberts*, 470 F.2d 1399, 1402-03 (C.C.P.A. 1973).

Therefore, even if the Claims at Issue were functional claims (they are not), that fact by itself would have no bearing on the validity of the claims.

Finally, the District Court incorrectly relied on *In re Donaldson Co.*, 16 F.3d 1189, 1195 (Fed. Cir. 1994), to hold the claims indefinite because they "defin[ed] a limitation purely by function."[6] JAX40-41. *Donaldson* applies only to so-called "means plus function" or "step plus function" claim elements, subject to 35 U.S.C. § 112, ¶ 6 and is thus inapplicable to the circumstances presented here. This Court's precedent, including *Donaldson*, establishes that a claim containing § 112, ¶ 6 elements can be held indefinite if the specification does not contain an adequate disclosure of structure

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[6] The District Court also relied on *MDS Assocs., Ltd. P'ship* v. *United States*, 37 Fed. Cl. 611, 625 (1997), which is equally inapplicable for the reasons discussed.

corresponding to the function of the claims. Here, however, neither the phrase "theoretical win profile," nor, with one irrelevant exception, any of the claim elements containing that phrase, are subject to § 112, ¶ 6.

The threshold requirement for applicability of § 112, ¶ 6 is stated in the statute itself: the claim element must "be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof...." The phrase "theoretical win profile" is not itself such a "means or step." As for the method Claims at Issue which include the phrase "theoretical win profile," each recites specific acts (*e.g.*, for '647 claim 1 (JAX102), "updating" and "storing" the theoretical win profile), and thus fall outside the purview of § 112, ¶ 6. *O.I. Corp.* v. *Tekmar Co.*, 115 F.3d 1576, 1582-84 (Fed. Cir. 1997). In the proceedings below, Station Casinos did not even attempt to show otherwise.

The system claim elements that contain "theoretical win profile," with one exception, do not use either "means" or "means for,"[7] presumptively establishing that § 112, ¶ 6 is inapplicable. This Court has established that

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[7] There is one claim element that is arguably subject to § 112, ¶ 6. Claim 51 of the '013 patent includes a "determination means ... for determining a status...." which further recites that said status can be based on "theoretical win profile." JAX168. The phrase "theoretical win profile" is entirely separate from the § 112, ¶ 6 aspect of this claim element, and neither Station Casinos nor the District Court singled out this claim. Therefore, this claim element is irrelevant to the issues on appeal.

"the use of the term 'means' has come to be so closely associated with 'means-plus-function' claiming that it is fair to say that the use of the term 'means' (particularly as used in the phrase 'means for') generally invokes [§ 112, ¶ 6] and that the use of a different formulation generally does not." *Greenberg* v. *Ethicon Endo-Surgery, Inc.*, 91 F.3d 1580, 1584 (Fed. Cir. 1996).

Moreover, each of these elements recite the structure by which the pertinent aspect of the claimed invention is implemented, and thus there is no basis to overcome the presumption that § 112, ¶ 6 is inapplicable. *Sage Prods., Inc.* v. *Devon Indus., Inc.*, 126 F.3d 1420, 1427-28 (Fed. Cir. 1997) ("[W]here a claim recites a function, but then goes on to elaborate sufficient structure, material, or acts within the claim itself to perform entirely the recited function, the claim is not in means-plus-function format."). For example, the pertinent element of claim 15 of the '647 patent is a "central database" within a computer system that contains the theoretical win profile. JAX103-104.

Thus, the District Court's view of the construction of "theoretical win profile" as functional is without merit, and the District Court's finding that the failure to "limit[] the means by which one might arrive at that function" resulted in indefinite claims (JAX40) cannot stand.

c. The determination of compliance with § 112, ¶ 2 does not hinge on how close the prior art is

The District Court based its indefiniteness conclusion in part on a misunderstanding of the significance of the alleged prior art. The alleged prior art, Harrah's own internal "Northern Nevada Regional Marketing System," was a system that purportedly could display on a computer data screen theoretical win data separately for more than one casino property. Harrah's argued that, *inter alia*, this system did not satisfy the "theoretical win profile" limitation of the claims. JAX4366.

The District Court took the parties' disagreement over the validity issues raised by the Northern Nevada Regional Marketing System and quoted *Amgen, Inc.* v. *Chugai Pharm. Co.*, 927 F.2d 1200, 1218 (Fed. Cir. 1991), *aff'g* 13 USPQ2d 1737 (D. Mass. 1990), for the proposition that "[w]hen the meaning of the claims is in doubt, especially when, as is the case here, there is close prior art, they are properly declared invalid." JAX42-43. The Court held that there could be "little doubt" that the Northern Nevada Regional Marketing System was "close prior art" and cited this view as a basis for concluding indefiniteness. (JAX43) The Court's reasoning was doubly flawed.

First, the circumstances here are readily distinguishable from those of *Amgen*. In *Amgen*, the patent at issue defined the claimed compound in part

by the value attained in a specific bioassay ("at least 120,000" in the original claims). During prosecution, the *Amgen* applicants amended certain claims by increasing the value of the required bioassay to "at least about 160,000" in order to avoid anticipatory prior art teaching a value of 138,000. The District Court in *Amgen* found that the bioassay at issue provided "an imprecise form of measurement with a range of error" and the additional use of the term "about" describing the numerical limit left too much ambiguity in the covered range, leaving the claims indefinite. *Amgen*, 13 USPQ2d at 1787. The Federal Circuit affirmed because, *inter alia*, the term "about" did not adequately define how close the claimed limit could come to the prior art. *Amgen*, 927 F.2d at 1218.

In contrast, the Claims at Issue in this case contain no such potentially uncertain words of approximation. Nor do the claims specify a numerical value or range, or otherwise require a prospective infringer to know in advance what formula to use so that a specific numerical threshold is met or not met. Therefore, *Amgen* is inapposite.

Second, as the District Court recognized in its Order, "there remain issues of fact as to whether the Northern Nevada Regional Marketing System constituted material prior art." JAX43. The Court was wrong to

assume that the alleged prior art was in any way "close," even were that relevant to the indefiniteness issue (which it is not).

d. The District Court confused the relevance of Harrah's arguments distinguishing the prior art

The Court further erred in concluding that Harrah's arguments distinguishing the Northern Nevada Regional Marketing System (discussed in the previous section) somehow supported indefiniteness. Harrah's argued that this alleged prior art did not generate, update, or store a theoretical win profile. Harrah's pointed out that this alleged prior art did not have a "single value," such as an average or total of theoretical win data, calculated from data over a period of time from a plurality of affiliated casino properties. JAX39, 43. More particularly, without such a single value, no "summary or analysis" of theoretical win data from a plurality of casino properties that would provide for consistent comping decisions was present in those systems.

Indeed, at the hearing, Harrah's categorically stated that it was relying on the Magistrate Judge's construction of theoretical win profile. Harrah's emphasized that, pursuant to the construction, any "summary or analysis" of theoretical win must "include data from multiple properties." JAX38. No

such summary or analysis is disclosed in the Northern Nevada Regional Marketing System.

Rather than crediting the fact that Harrah's embraced the Magistrate Judge's construction of "theoretical win profile," the District Court focused on Harrah's "single value" argument, confusing it with Harrah's reliance on one of the advantages of the inventions of the Patents in Suit – that theoretical win profile is generated using a "large number of data points" to provide the affiliated casinos with a more accurate estimate of the customer's value to the casinos as a whole. The Court considered Harrah's "large number of data points" discussion a contradiction to its "single value" argument. JAX39-40. In particular, the Court complained that Harrah's failed to "consistently delineate whether [theoretical win profile] is a single number, or a large number of data points...." JAX40.

At no point has Harrah's asserted that the theoretical win profile was "a large number of data points." The "large number of data points" to which the District Court made mention refers to the theoretical win data that is ***input*** to the determination of theoretical win profile, *supra*, p. 12. In contrast, the "single value" refers to the form of ***output*** from this determination, *i.e.* the theoretical win profile itself, *supra*, p. 14.

e. The District Court's use of the Specification to support indefiniteness was unsound

In erroneously concluding indefiniteness, the District Court also cited certain "other flaws in the patents-in-suit." JAX42. In particular, the Court found fault with the use in the specifications of the phrases "average daily theoretical win," "average theoretical win profile," and "average daily wager figure." These phrases appear in a portion of the specification, quoted in full *supra*, p. 12, where one instance of the phrase "theoretical win profile" appears.

In context, any possible uncertainty caused by these different phrases are readily resolved by reading that quoted portion. "Average daily theoretical win" means precisely what it says, and is the specific example cited in the specification of one form of theoretical win profile. The "average theoretical win profile" is a more encompassing reference to a type of theoretical win profile, which includes average daily theoretical win, as well as to other types of averages such as the also-referenced "average [theoretical win] per trip," or any other average of theoretical win values over time and over affiliated properties.

"Average daily wager" is a reference back to "average daily theoretical win." JAX3112-13; JAX3139. Admittedly, it would have been the better drafting practice to repeat "average theoretical win profile" rather

than using this alternative. But, as Station Casinos has admitted, the art recognizes various synonyms for "theoretical win," such as "rating" and "theoretical earning potential." JAX8406, 6:58-60; JAX7805. In context, this use of "average daily wager," as a shorthand reference to "average theoretical win profile," does not rise to the level of indefiniteness. Directly on point is *Bancorp*, where the patentee used the terms "surrender value protected investment" and "stable value protected investment" interchangeably, while not explicitly defining the former. *Bancorp*, 359 F.3d at 1373. The *Bancorp* court overturned the District Court's finding of indefiniteness, holding that "surrender value" was reasonably discernable because "the meaning of the term is fairly inferable from the patent, [and therefore] an express definition is not necessary." *Id.*

C. "Theoretical Win Profile" is adequately supported by the specification of the Patents in Suit

In addition to concluding that "theoretical win profile" was indefinite, the District Court also granted summary judgment of invalidity based on asserted lack of written description support for that phrase. This finding is in error for at least two reasons: 1) the phrase is in the original application and claims, and 2) the description of the phrase in the specification is adequate and consistent with what is claimed.

1. The term "theoretical win profile" was in the original application

The phrase "theoretical win profile" appears in the original '647 parent specification, and in the originally filed application claims, *supra*, pp. 12, 15. Normally, for inventions arising from "predictive" technologies such as are present here,[8] that fact alone provides complete written description support for the claims. *Union Oil Co. of Cal.* v. *Atlantic Richfield Co.*, 208 F.3d 989, 998 n.4 (Fed. Cir. 2000) ("[D]isclosure in an originally filed claim satisfies the written description requirement."); *Hyatt* v. *Boone*, 146 F.3d 1348, 1352 (Fed. Cir. 1998) ("The claims as filed are part of the specification, and may provide or contribute to compliance with § 112."); *In re Koller*, 613 F.2d 819, 823-24 (C.C.P.A. 1980) ("[O]riginal claims constitute their own description. Later added claims of similar scope and wording are described thereby."); *In re Gardner*, 480 F.2d 879, 879-80 (C.C.P.A 1973) ("[W]e consider the original claim in itself adequate 'written

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[8] The electrical and computer arts are referred to as "predictive," in contrast to the chemical and biological arts. *See, e.g., In re Smythe*, 480 F.2d 1376, 1383 (C.C.P.A. 1973) ("This is not a case where there is any unpredictability such that appellants' description ... would not convey to one skilled in the art knowledge [of the invention]."); United States Patent and Trademark Office *Guidelines for Examination of Patent Applications Under the 35 U.S.C. 112, ¶ 1, "Written Description" Requirement*, 66 C.F.R. 1099, 1106 (1/5/01) (of which this Court takes judicial notice as useful in considering written description compliance, *Enzo Biochem, Inc.* v. *Gen-Probe Inc.*, 323 F.3d 956, 968 (Fed. Cir. 2003)).

description' of the claimed invention. It was equally a 'written description' whether located among the original claims or in the descriptive part of the specification.").

2. The description in the specification is adequate and consistent with the term "theoretical win profile"

The written description requirement of 35 U.S.C. § 112, ¶ 1 states, in pertinent part:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art. . . .

The standard for determining whether the written description requirement has been met is well established:

> Although [the applicant] does not have to describe exactly the subject matter claimed, ... the description must clearly allow persons of ordinary skill in the art to recognize that [the applicant] invented what is claimed. The test for sufficiency of support in a parent application is whether the disclosure of the application relied upon reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter.

Vas-Cath, 935 F.2d at 1563 (citations and internal quotation marks omitted).

Whether claims are properly supported by the written description is a question of fact, *supra*, p. 24. *See, e.g., Union Oil Co. of Cal.*, 208 F.3d at 1000 ("[W]ritten description questions are intensely factual, and should be dealt with on a case-by-case basis, without the application of wooden

rules."). As this Court recently explained, "[a] party alleging that a patent is invalid for failure to comply with the written description requirement has the burden of establishing by clear and convincing evidence that the requirement was not met, in light of the presumption of validity." *Intirtool, Ltd.* v. *Texar Corp.*, 369 F.3d 1289, 1294 (Fed. Cir. 2004).

A patent specification is directed to one of ordinary skill in the art, and therefore compliance with the written description requirement is determined from the vantage point of such a person of ordinary skill. *In re Hayes Microcomputer Prods., Inc. Patent Litig.*, 982 F.2d 1527, 1533 (Fed. Cir. 1992).

There is no requirement that the § 112 disclosure be of any particular length or form. *See, e.g., Hayes*, 982 F.2d at 1534; *In re Alton*, 76 F.3d 1168, 1172 (Fed Cir. 1996). As explained by this Court:

> 'The specification as originally filed must convey clearly to those skilled in the art the information that the applicant has invented the specific subject matter later claimed. When the original specification accomplishes that, ***regardless of how it accomplishes it***, the essential goal of the description requirement is realized.'

In re Wright, 866 F.2d 422, 424 (Fed. Cir. 1989) (citations omitted). Even the "failure of the specification to specifically mention a limitation that later appears in the claims is not a fatal one when one skilled in the art would

recognize upon reading the specification that the new language reflects what the specification shows has been invented." *All Dental*, 309 F.3d at 779.

Adequate written description does not require an express, explicit disclosure of the invention. "To comply with the description requirement it is not necessary that the application describe the claimed invention in ipsis verbis...." *In re Edwards*, 568 F.2d 1349, 1351-52 (C.C.P.A. 1978) (citation omitted). Thus, the description may be inherently disclosed. As this Court has explained, the "application considered as a whole must convey to one of ordinary skill in the art, either explicitly or inherently, that [the applicant] invented the subject matter claimed...." *Reiffin* v. *Microsoft Corp.*, 214 F.3d 1342, 1346 (Fed. Cir. 2000). *See also Cont'l Can Co. USA* v. *Monsanto Co.*, 948 F.2d 1264, 1268 (Fed. Cir. 1991) (explaining that descriptive matter may be inherently present if one skilled in the art would recognize such a disclosure).

In concluding that the written description requirement was not met here, the District Court relied exclusively on its incorrect indefiniteness analysis:

> As discussed above [referring to the indefiniteness holding], the court agrees that the term theoretical win profile is indefinite as it does not describe sufficient means such that a competitor would be on notice as to what was covered by the patent. ***Accordingly, the written description is inadequate as a matter of law.***

JAX46. The District Court incorrectly conflated the legal principles of indefiniteness and written description, and so provided an erroneous basis for its finding on written description. Nonetheless, the written description was adequate, as discussed, *supra* pp. 9-15. Because the District Court erred in concluding indefiniteness, it likewise erred here.

In any event, there are at least genuine issues of material fact as to whether the written description requirement has been met. Indeed, there is ample evidence that both the phrase "theoretical win profile" itself, and the Magistrate Judge's construction of that phrase (restated in the margin below),[9] have ample support in the specifications of the Patents In Suit:

(i) "theoretical win" appears in the original specification and claims, and is a well understood term of art: an estimate of a casino's winnings from a customer's betting activity, *supra*, p. 7;

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[9] The construction is, *supra*, p. 31:

> A "theoretical win profile" is a summary or analysis of estimates of a casino's winnings from a customer's betting activity over a period of time, such as an hour, day or trip. In the context of the claimed invention, a theoretical win profile of a customer is generated based on estimates of casino winnings from the customer across the affiliated casino properties.

(ii) "profile" appears along with "theoretical win" in the original specification and claims, and "profile" has a well established ordinary English meaning: a summary or analysis, *supra*, p. 27;

(iii) the specifications state that the theoretical win profile can be the average daily theoretical win, or average per trip, thus supporting the provision in the definition that the theoretical win profile is "over a period of time, such as an hour, day or trip," *supra*, Section III.B;

(iv) the specifications emphasize the multi-property aspect of the invention, and state that the theoretical win profile "will include a larger number of data points, since the customer's gaming activities at all casino properties are included" — supporting the provision in the definition that the theoretical win profile is generated "based on estimates of casino winnings from the customer across the affiliated casino properties." *Id.*

Furthermore, the detailed expert testimony in the record, stating that the original disclosure provides full support for "theoretical win profile," as construed by the Magistrate Judge, confirms that genuine disputes of material fact bar summary judgment of invalidity based on the written description requirement. *Supra, p.* 50.

VI. CONCLUSION AND RELIEF SOUGHT

The District Court's judgment of invalidity, pursuant to 35 U.S.C. § 112, of the Claims at Issue (*i.e.*, the claims of the Patents in Suit that include the phrase "theoretical win profile"), should be reversed. This Court should:

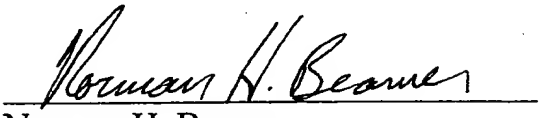
i) Reverse the District Court's summary judgment of invalidity based on indefiniteness and hold, as a matter of law, that the phrase "theoretical win profile" is not indefinite; and

ii) Reverse the District Court's summary judgment of invalidity for failure to satisfy the written description requirement on the ground that there are genuine issues of material fact with respect to this defense.

Although not explicitly part of this appeal, the District Court's finding concerning an "inadequate disclosure of the alleged best mode," *supra*, note 1, stands or falls with the disposition of the Court's judgment on indefiniteness and written description. Even if a specific type of averaging calculation was the alleged best mode, there is at least a genuine issue as to whether the explicit disclosure of averaging is an adequate disclosure of these and other specific averaging techniques. The record establishes that such techniques were common knowledge in the art, and the best mode

provision does not require explicit disclosure of such low level details. *See, e.g.*, *Teleflex*, 299 F.3d at 1331-32.

Respectfully submitted,



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ADDENDUM

Pursuant to Fed. Cir. R. 28(a)(11), the following items are attached hereto:

TAB A	August 30, 2004 Stipulated Order For Entry Of Final Judgment (JAX53-56)
TAB B	June 3, 2004 Amended Order Granting Defendant's Motion For Partial Summary Judgment Of Invalidity Under 35 U.S.C. § 112 (321 F. Supp. 2d 1173 (D. Nev. 2004)) (JAX27-52)
TAB C	United States Patent No. 5,761,647 (JAX77-105)
TAB D	United States Patent No. 6,183,362 (JAX106-132)
TAB E	United States Patent No. 6,003,013 (JAX133-168)

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UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

HARRAH'S ENTERTAINMENT, INC., and HARRAH'S OPERATING COMPANY, INC.,	CV-S-01-0825-DAE (RJJ)
Plaintiffs/Counterdefendants,	**STIPULATED ORDER FOR ENTRY OF FINAL JUDGMENT**
v.	Judge: Hon. David Alan Ezra
STATION CASINOS, INC., BOULDER STATION, INC., PALACE STATION HOTEL & CASINO, INC., SANTA FE STATION, INC., SUNSET STATION HOTEL & CASINO, INC., TEXAS STATION, INC., GREEN VALLEY RANCH GAMING, LLC., and DOES 1-20,	
Defendants/Counterclaimants.	

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WHEREAS, on May 19, 2004, this Court entered an Order (amended June 3, 2004) that granted Defendants' motion for partial summary judgment of invalidity of U.S. Patent Nos. 5,761,647, 6,183,362 and 6,003,013 (collectively, the "Patents-in-suit") as to all of the claims of those patents having the limitation "theoretical win profile";

WHEREAS, the May 19, 2004 Order resolves Plaintiffs' claims of infringement against Defendants and Defendants' counterclaims for a declaration of invalidity under 35 USC § 112 with respect to all claims of the Patents-in-suit except for claims 1, 2, 21, 22, 31, 39-42, 46, 48 and 49 of U.S. Patent No. 6,003,013 (the "'013 Patent");

WHEREAS Plaintiffs desire to take an appeal from the Court's May 19, 2004 Order on an expeditious basis, and to that end (1) seek to dismiss with prejudice Plaintiffs' claims for infringement of any of claims 1, 2, 21, 22, 31, 39-42, 46, 48 and 49 of the '013 Patent in this action ("the remaining claims of the '013 Patent"); and (2) upon entry of this Final Judgment, hereby covenant not to sue any of Defendants for infringement of any of the remaining claims of the '013 Patent, based on any configuration of Defendants' Boarding Pass program that is substantially equivalent to any current or past configuration of Defendants' Boarding Pass program. Plaintiffs' dismissal is without prejudice as to, and Plaintiffs' covenant does not extend to, and shall have no preclusive or other prejudicial effect with respect to, assertion of any claim of the '013 Patent against any party other than Defendants, or against any method or system that is not substantially equivalent to any current or past configuration of Defendants' Boarding Pass program.

THEREFORE, THE COURT:

1. ADJUDGES AND DECLARES all claims of the Patents-in-suit having the limitation "theoretical win profile" to be invalid under 35 USC§ 112;

2. DISMISSES with prejudice Plaintiffs' infringement claims as to any of the remaining claims of the '013 Patent, said dismissal being without prejudice as to any party other than Defendants, and without prejudice as to any method or system that is not substantially equivalent to any current or past configuration of Defendants' Boarding Pass program;

3. DISMISSES without prejudice Defendants' counterclaims for declaratory judgment of noninfringement and unenforceability as to all claims of the Patents-in-suit having the limitation "theoretical win profile," and DISMISSES without prejudice Defendants' counterclaims for noninfringement, invalidity and unenforceability of the remaining claims of the '013 Patent;

4. ORDERS that the time for filing a motion for attorneys' fees and/or for an evidentiary hearing in support of such motion pursuant to Rule 54(d)(2), Fed. R. Civ. P., is set for no later than 60 days after entry of this judgment, or 60 days after either entry of a mandate from the Court of Appeals with respect to any appeal taken from this judgment, or other termination of any appeal taken from this judgment, whichever is later.

Respectfully submitted: August 4, 2004

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Respectfully submitted: August 17, 2004

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IT IS SO ORDERED.

Dated: August 23 2004

David Alan Ezra
Chief United States District Judge

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF NEVADA

HARRAH'S ENTERTAINMENT, INC. *et al.*, Plaintiffs, vs. STATION CASINOS, INC. *et al.*, Defendants.	CV-S-01-0825-DAE-RJJ

AMENDED ORDER GRANTING DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT OF INVALIDITY UNDER 35 U.S.C. § 112

The court heard Defendants' Motion on March 23, 2004. Mark D. Rowland, Esq., appeared at the hearing on behalf of Plaintiffs; Ike Lawrence Epstein, Esq., Lawrence Kass, Esq., Christopher Chalsen, Esq., Michael Feder, Esq., Christopher Gaspar, Esq., and Rich Haskins, Esq., appeared at the hearing on behalf of Defendants. After reviewing the motion and the supporting and opposing memoranda, the court GRANTS Defendants' Motion for Partial Summary Judgment of Invalidity Under 35 U.S.C. § 112.

BACKGROUND

Plaintiffs Harrah's Entertainment, Inc., and Harrrah's Operating Company, Inc., ("Plaintiffs") obtained three patents relating to a system for

coordinating the monitoring and accessing of information relating to customer gaming and non-gaming activity across multiple casino locations. More specifically, the patents, termed the National Player Recognition patents, including U.S. Patents Nos. 5,761,647 ("the '647 patent"), 6,003,013 ("the '013 patent"), and 6,183,362 ("the '362 patent"), describe and claim methods and systems for rewarding customer patronage, tracking customers, and making customer data available to affiliated casino properties.

Plaintiffs sued Defendants Station Casinos, Inc., Boulder Station, Inc., Palace Station Hotel & Casino, Inc., Santa Fe Station Inc., Sunset Station, Inc., Texas Station, LLC, Green Valley Ranch Gaming, LLC, and Does 1-20 ("Defendants") for patent infringement. The National Player Recognition patents that Plaintiffs assert against Defendants are all predicated on the use of a "theoretical win profile" in a casino player reward system.

The precise meaning of the term theoretical win profile and whether it was sufficiently claimed in the patents lies at the heart of the dispute between the parties in the instant motion. According to Plaintiffs, the theoretical win profile is a measure of a customer's value to the affiliated casino properties. Plaintiffs' Opposition to Defendants' Motion for Partial Summary Judgment ("Plaintiffs' Opposition") at 3. Plaintiffs distinguish between theoretical win and theoretical

win profile. The former term is a statistically determined amount of money a casino expects to win from a customer's play, and was a well-known term in the art at the time the instant suits were filed. Plaintiffs state that the patents-in-suit extend the concept of theoretical win to include betting data from affiliated casino properties. Plaintiffs state that the specifications for the patents include a description of the idea that the theoretical win profile can be expressed as a "average daily value." Plaintiffs' Opposition at 4 (citing Oliver Ex. 1 ('647 patent) at 12:55 - 13:21)(further citations omitted). Plaintiffs maintain, however, that there are alternative ways of determining and expressing a theoretical win profile, and that a person with ordinary skill in the art would have understood the various formulas, methods, and algorithms used in calculating its value. Id. at 5. Plaintiffs further note that the key to the theoretical win profile is that it includes a large number of data points, and it provides a more accurate estimate of a customer's value to the casino company as a whole, as opposed to solely one casino property. Id.

Defendants state that although the term theoretical win profile is included in every claim of the '647 patent, numerous claims of the '013 patent, and every claim of the '362 patent, the term is not defined in any of the patent specifications, and the prosecution histories allegedly confirm that the term has no

definite structure or meaning. Defendants' Motion for Partial Summary Judgment of Invalidity Under 35 U.S.C. §112 ("Defendants' Motion") at 2-3. While Defendants recognize that the term theoretical win is a well-known concept, they allege that Plaintiffs have given theoretical win profile inconsistent meaning such that competitors are not given notice as to the metes and bounds of the claim scope so that they can avoid infringement. Id. at 3. Specifically, Defendants state that the patent specification fails to include a method, algorithm, or formula for generating or calculating a theoretical win profile. Defendants complain that nothing in the patents explains how the theoretical win profile is updated, generated, or determined. Id. at 4.

In support of its argument, Defendants cite relevant language in the specifications of all three of the patents-in-suit. Further, Defendants argue that extrinsic evidence confirms the intrinsic evidence and establishes that those with ordinary skill in the art do not understand the term theoretical win profile. The extrinsic evidence that Defendants refer to is the declaration of Bart A. Lewin ("Lewin"), an independent consultant qualified in information systems, and the testimony and expert report of Mr. James Kilby ("Kilby"), a consultant on casino management and trends in the gaming industry.

The court notes that a Markman hearing was held to determine the issues of patent claim construction, and the Magistrate Judge's Order, filed on October 6, 2003, ("Order") was filed after the instant motions were filed. The Magistrate Judge held that, with respect to theoretical win profile, the parties proposed definitions were strikingly similar with the exception of the Plaintiffs' inclusion of the term "affiliated" as describing the casino properties. Order at 12. The court adopted Plaintiffs' definition of theoretical win profile which stated:

> "Theoretical win" is an estimate of the winnings of a casino from a customer's bets. A "theoretical win profile" is a summary or analysis of estimates of a casino's winnings from customer's betting activity over a period of time, such as an hour, day or trip. In the context of the claimed invention, a theoretical win profile is generated based on estimates of casino winnings from the customer across the affiliated casino properties.

Id. Defendants argue that despite the fact that the Markman hearing may have resulted in a construction of the contested phrase, Defendants' submission of a possible claim construction was not an admission that the term was indefinite.

In ASM America, Inc. v. Genus, Inc., 2002 WL 1892200 (N.D. Cal.), the court stated that there was some ambiguity in the case law as "to whether a finding of indefiniteness should occur during claim construction, or whether it should occur at a later date." 2002 WL 1892200, *15. The Federal Circuit, in discussing claim construction stated that "[a]mbiguity, undue breadth, vagueness,

and triviality are matters which go to claim validity for failure to comply with 35 U.S.C. §112 ¶2, not to interpretation or construction." Id. (quoting Intervet America, Inc. v. Kee-Vet Laboratories, 887 F.2d 1050, 1053 (Fed. Cir.1989)). The court agrees with the holding in ASM America that "the Court must attempt to determine what a claim means before it can determine whether the claim is invalid for indefiniteness. . . ." Id. This finding is further bolstered in that the Magistrate's order in the instant case did not address the issue of indefiniteness when it considered the claim construction of the term theoretical win profile. Accordingly, the fact that Defendants submitted a proposed construction does not amount to an admission that the proposed construction was in fact definite.

Defendants move for partial summary judgment and a declaration that all of the claims of each of the patents-in-suit having the limitation "theoretical win profile," are invalid because they: (1) are indefinite under 35 U.S.C. §112, second paragraph; (2) are unsupported by an adequate written description under 35 U.S.C. §112, first paragraph; and (3) fail to meet the best mode requirement under 35 U.S.C. §112, first paragraph.

Defendants filed the instant motion on January 17, 2003. Plaintiffs filed their Opposition on February 28, 2003. Defendants filed their Reply to

Plaintiffs' Opposition ("Defendants' Reply") on March, 21 2003, and an Amendment to their Reply ("Amendment") on March 28, 2003.

STANDARD OF REVIEW

"A party seeking to invalidate a patent must overcome a presumption that the patent is valid." Carnegie Mellon University v. Hoffman-La Roche Inc., 148 F. Supp. 2d 1004, 1009 (N.D. Cal. 2001) (citing 35 U.S.C. §282) (further citations omitted). The challenging party must prove invalidity by clear and convincing evidence. United States Gypsum Co., 74 F.3d 1209, 1212 (Fed. Cir. 1996.) The standard of clear and convincing evidence "has been described as evidence which produces in the mind of the trier of fact an abiding conviction that the truth of a factual contention is 'highly probable.'" MDS Associates, Limited Partnership v. United States, 37 Fed. Cl. 611 (1997).

Summary judgment in a patent case, as in all other cases, is appropriate when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. Carnegie Mellon University, 148 F. Supp. 2d at 1009. The moving party has the initial burden of "identifying for the court those portions of the materials on file in the case that it believes demonstrate the absence of any genuine issue of material fact." T.W. Elec. Serv.,

Inc. v. Pacific Elec. Contractors Ass'n, 809 F.2d 626, 630 (9th Cir. 1987) (citing Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986)).

If the moving party meets its burden, then the opposing party may not defeat a motion for summary judgment in the absence of any significant probative evidence tending to support its legal theory. Commodity Futures Trading Comm'n v. Savage, 611 F.2d 270, 282 (9th Cir. 1979). The opposing party can neither stand on its pleadings, nor can it simply assert that it will be able to discredit the movant's evidence at trial. See T.W. Elec. Serv., 809 F.2d at 630; Fed. R. Civ. P. 56(e). In a motion for summary judgment, the court must view the facts in the light most favorable to the non-moving party. State Farm Fire & Casualty Co. v. Martin, 872 F.2d 319, 320 (9th Cir. 1989).

DISCUSSION

I. The Patents

Patent '362 is a continuation of Patent '647. The two patents provide for a system and method for implementing a customer tracking and recognition program that encompasses customers' gaming and non-gaming activity at a plurality of affiliated casino properties. Patent '013 adds to the capacity of the system by setting out a method of differentiating customers according to their

worth to the casino, and employing the use of various physical instrumentalities that alert casino personnel when a special status customer is recognized.

The system comprehensively described by all three patents comprises a local area network (LAN) located at each affiliated casino property and a wide area network (WAN) which couples data from amongst the various LANs. A management system associated with each casino's LAN receives customer data from card readers, workstations, and dumb terminals, which are located at various venues throughout the casino and couples the received data to a data base that is accessible by all affiliated casino properties. The preferred embodiment of the invention provides for a central patron database (CPDB) which is comprised of customer accounts from all of the participating casino properties, supported on a central LAN, that is coupled to the casino LANs through the WAN. In operation, the system allows personnel of individual casinos to access information on-line about particular clients.

Patents '647 and '362 describe an invention that implements a point system that awards points to customers based on their tracked activity at all casino properties. A customer can redeem points for various gifts and services at the affiliated casino properties. Since the points can be used at any of the affiliated

casinos, through a program of weighting points awards at particular venues, the owners of affiliated casino properties can target new or underperforming casinos.

The invention described in Patent '013 differs from conventional fee-based membership systems and point-based systems, in that it provides activation of physical instrumentalities directly based on recognition of a customer's status through use of an identification card. For example Patent '013 describes a physical instrumentality that, when a valuable customer is recognized at a slot machine, activates a visible light on top of the slot machine and alerts casino personnel that the valuable customer is present.

All three of the above described patents use the term theoretical win profile in their respective claims. The most common use of the term is as follows:

> A computer-implemented method for differentiating a customer from other customers at any of a plurality of casino properties, the method comprising: . . . ; periodically updating a *theoretical win profile* for the customer as a function of estimated winnings from the monitored betting activity of the customer at the plurality of casino properties over a time period, the *theoretical win profile* for subsequently determining complementaries or services to be provided to the customer; establishing a status of the customer as a function of the *theoretical win profile* . . . ."

Patent '647, Claim 1; Patent '013, Claim 3, Claim 5, Claim 7, Claim 25; Patent '362, Claim 1 (emphasis added).

II. Scope of Defendants' Challenge

As a preliminary matter, Plaintiffs argue in its Opposition that Defendants' Motion should be limited to a challenge of theoretical win profile as opposed to challenges to the terms *updating* and *providing* and *status* of the theoretical win profile. The court agrees with Plaintiffs that the evidence presented by Defendants goes to the validity of the term theoretical win profile. The additional terms were added as limitations, but Defendants have not focused its challenge on the validity of those terms within the patents-in-suit. Accordingly, the court will consider the instant motion as a challenge to the term "theoretical win profile."

III. Indefinite

Defendants first claim that Plaintiffs' patents are indefinite pursuant to 35 U.S.C. §112 which reads that "[t]he specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." 35 U.S.C. §112. A claim is indefinite if "its legal scope is not clear enough that a person of ordinary skill in the art could determine whether a particular composition infringes or not." Geneva Pharmaceuticals, Inc. v. Glaxosmithkline PLC, 349 F.3d 1373, 1384 (Fed. Cir. 2003). In analyzing a claim of indefiniteness, courts "typically limit [their]

inquiry to the way one of skill in the art would interpret the claims in view of the written description portion of the specification." Solomon v. Kimberly-Clark Corp., 216 F.3d 1372, 1378 (Fed. Cir. 2000). Accordingly, courts consider a limited range of evidence when evaluating whether a claim is indefinite pursuant to 35 U.S.C. §112. Id.

The definiteness requirement of 35 U.S.C. § 112 requires that "the claim be amenable to construction, however difficult that task may be." Exxon Research & Eng'g Co. v. United States, 265 F.3d 1371, 1375. A claim is indefinite only if the "claim is insolubly ambiguous, and no narrowing construction can properly be adopted." Id. "If the meaning of the claim is discernible, even though the task may be formidable and the conclusion may be one over which reasonable persons will disagree, we have held the claim sufficiently clear to avoid invalidity on indefiniteness grounds." Id.

The court finds that Defendants have adequately established through clear and convincing evidence that the claims are indefinite. Plaintiffs have put forth a three-step method of determining a theoretical win profile. They state that a theoretical win profile can be "determined by and/or updated using a) estimated winnings from the betting activity of the customer, b) at the plurality of casino properties, and c) over a period of time." Plaintiffs' Opposition at 19-20.

Plaintiffs argue that the particular form of a customer's theoretical win profile does not serve as a limitation on the claimed invention. Plaintiffs therefore maintain that they need not provide a specific means of calculating theoretical win profile because the term can be computed using a number of methods. Plaintiffs, however, do state that a theoretical win profile is a single value. However in Plaintiffs' Opposition, they state that the "essential point" regarding the theoretical win profile is that "[t]he value used by a casino company to reward a customer's patronage at any of its affiliated properties, whether expressed as an average or otherwise, *included a large number of data points* and provided a more accurate estimate of the customer's value to the casino as a whole . . . ." Plaintiffs' Opposition at 5 (citing Oliver Ex. 1 ('647 patent) at 12:55-13:21; Ex. 2 ('013 patent) at 14:9-42; Ex. 3 ('362 patent) at 12:65-13:31; Boushy ¶¶ 14-18; Spencer ¶ 19) (emphasis added). Plaintiffs attempted to clarify the issue at the hearing by suggesting that a theoretical win profile could be reflected in a chart with several numbers on a page, each one reflecting a theoretical win profile.

Plaintiffs have also stated that one could use various types of averaging, such as weighted averages, straight line averages, and averages divided by some period of time. Boushy Deposition at 53-56. However, Bart Lewin ("Lewin"), one of Defendants' experts, stated that the term average "itself is vague

because there are many interpretations of average." Lewin Decl. at ¶ 11. At the same time, Plaintiffs state that calculation of a theoretical win profile can be performed through using commutative operations of addition, multiplication and division, and thereby no particular formula to arrive at the profile is necessary. Plaintiffs provide no further detail in describing how one might compute a theoretical win profile.

While the court notes that "[m]athematical precision should not be imposed for its own sake," in the instant case, permitting Plaintiffs to patent its three-part functional test, is indefinite under the second paragraph of 35 U.S.C. § 112. Modine Manufacturing Company v. United States International Trade Commission, 75 F.3d 1545,1557 (Fed. Cir. 1996). The court finds that Plaintiffs' failure to state how one might compute a theoretical win profile, or even consistently delineate whether it is a single number, or a large number of data points, results in an overbroad patent that claims a function, without limiting the means by which one might arrive at that function.

The Federal Circuit discussed the applicability of the definiteness requirement to claims drafted using means plus function language. In In re Donaldson Co, 16 F.3d 1189 (Fed. Cir. 1994) that court stated that "[a]lthough paragraph six [of §112] statutorily provides that one may use means-plus-function

language in a claim, one is still subject to the requirement that a claim 'particularly point out and distinctly claim' the invention. . . If an applicant fails to set forth an adequate disclosure, the applicant has in effect failed to particularly point out and distinctly claim the invention as required by the second paragraph of section 112." 16 F.3d at 1195 (en banc). Accordingly, defining a limitation purely by function, such that it covers all means of achieving the function, renders a claim indefinite. See MDS Associates Limited Partnership v. the United States, 37 Fed. Cl. 611, 625 (holding a claim indefinite for failing to disclose any means for calculating CPA Range and CPA Bearing using particular input signals).

The only guidance Plaintiffs have provided for calculating the term profile is that it may be deduced from a variety of methods of averaging "or otherwise," and the average may be arrived at using any type of commutative operation. The patents in suit thereby attempt to claim every method of calculating, using every type of commutative mathematical operation, to achieve its three part description of a theoretical win profile. By impermissibly not limiting the means of calculating a theoretical win profile, "one skilled in the art is left to guess which of the multiple means for performing the claimed function is covered by the patent." Id. As stated above, a claim is indefinite if "its legal scope is not clear enough that a person of ordinary skill in the art could determine

whether a particular composition infringes or not." Geneva Pharmaceuticals, 349 F.3d at1384.

Aside from the lack of a formula or description of a means to calculate theoretical win profile, there are other flaws in the patents-in-suit that support this court's finding of indefiniteness. Plaintiffs state that the term theoretical win profile has various "expressions" and "embodiments" such as the "average daily theoretical win," the "average theoretical win profile" and the "average daily wager figure" all of which Plaintiffs contend point to a single measure for comping customers, namely the theoretical win profile. Plaintiffs' Opposition at 20-21. The court finds that instead of being descriptive, these terms, although not arising to the level of "semantic indefiniteness,"[1] serve to further hinder a competitor from determining whether their invention is infringing on the patent.

Moreover, the Federal Circuit held that "[w]hen the meaning of the claims is in doubt, especially when, as is the case here, there is close prior art, they

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[1]The court agrees with Plaintiffs that its use of various terms throughout the specification to signify a theoretical win profile do not arise to the level of semantic indefiniteness as was found in Allen Eng'g Corp. v. Bartell Indus. Inc. 299 F.3d 1336 (Fed. Cir. 2002)(holding that in the case where patentee was attempting to argue that parallel meant perpendicular with respect to a particular claim, and a claim ended with an incomplete limitation, the claims at issue were indefinite.)

are properly declared invalid." Amgen, Inc v. Chugai Pharmaceutical Co., 927 F.2d 1200, 1218 (Fed. Cir. 1991). Although the court has denied Defendants' Motion for Summary Judgment as to whether Plaintiffs acted unconscionably by not disclosing allegedly material prior art, there can be little dispute that the prior art in this case is very close.

For example, at the hearing, Defendants presented to the court a picture of a computer screen monitor using Plaintiffs own Northern Nevada Regional Marketing System. In using its program, Plaintiffs were able to access a computer screen that displayed the theoretical win for their Reno and Lake Tahoe casinos, over a period of 6, 12, and 24 months.[2] Accordingly, while Plaintiffs' invention, by compiling data over multi-properties, may have constituted a sufficiently new concept to achieve a patent, there can be little doubt that the ability to display a theoretical win over time, and have two properties data listed on the same screen, constituted "close" prior art.

The court notes, however, that several of Defendants' arguments in favor of its Motion for invalidity on the basis of indefiniteness are flawed. For

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[2]For purposes of Defendants' Summary Judgment Motion on the issue of inequitable conduct, there remain issues of fact as to whether the Northern Nevada Regional Marketing System constituted material prior art, as it was allegedly not used in the context of comping customers, nor did it compile the theoretical win amounts over multiple casino properties.

example, Defendants cite the testimony of two of Plaintiffs' own experts to show that because the claims lack any formula or method of determining the theoretical win profile, they were inevitably flawed. Defendants state that Plaintiffs' experts, Mr. Rowe and Mr. Spence, admitted that the underlying math was necessary to determine whether the prior art might disclose a theoretical win profile when shown documents of systems used by Harrah's and a third party respectively. Neither expert, however, had seen the alleged documents prior to being deposed and both stated that they could not testify as to whether the system used a theoretical win profile without information about what the specific inputs represented. The court agrees with Plaintiffs that these "admissions" do not establish that a particular formula was necessary, but rather that such information was necessary to determine whether the figures used correlated with the components, defined in the Markman hearing, which make-up the theoretical win profile.

The court also does not rely on Defendants' argument regarding the patent examiner. In its motion, Defendants point to the fact that Mr. Boushy, Plaintiffs' primary inventor, admitted that the patent examiner misunderstood the term theoretical win profile during the prosecution of the patent, and therefore the specification had inadequately communicated to the examiner the concept of

theoretical win profile. Defendants' argument has little merit because the fact that the patent examiner first misunderstood the term, without any showing that he had ordinary skill in the art, is irrelevant to the instant analysis.

The court, however, ultimately agrees with Defendants that to the extent that the Plaintiffs' patents-in-suit contain the limitation of theoretical win profile, they are invalid due to indefiniteness.[3]

IV. Inadequate Written Description

Defendants next argue that the patents-in-suit having the limitation "theoretical win profile" are indefinite pursuant to 35 U.S.C. §112. 35. U.S.C. §112 states in pertinent part:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same. . . ."

35 U.S.C. §112, ¶ 1. The description must enable persons of ordinary skill in the art "to recognize that [the inventor] invented what is claimed." In re Gosteli, 872 F.2d 1008, 1112 (Fed. Cir.1989). "Adequate description of the invention guards against the inventor's overreaching by insisting that he recount his invention in

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[3]The court notes that according to Mr. Lewin, Defendants' expert, only claim 1 and dependent claim 2 of the '013 patent do not require the theoretical win profile limitation.

such detail that his future claims can be determined to be encompassed within his original creation." Vas-Cath, Inc. v. Mahurkar, 935 F.2d 1555, 1561 (Fed. Cir. 1991) (quoting Rengo Co. v. Molins Mach. Co., 657 F.2d 535, 551 (3d.Cir. 1981)). The issue of whether a written description is adequate is a question of fact. Id. at 1563.

Defendants argue that Harrah's patents lack a sufficient explanation of the term theoretical win profile such that an ordinarily skilled artisan might practice it. Defendants argue that because there is indisputably no disclosure of a formula, method, or algorithms in the patent specification, the claims are indefinite. As discussed above, the court agrees that the term theoretical win profile is indefinite as it does not describe sufficient means such that a competitor would be on notice as to what was covered by the patent. Accordingly, the written description is inadequate as a matter of law.

V. Best Mode Requirement

35 U.S.C. § 112 provides that the specification "shall set forth the best mode contemplated by the inventor of carrying out the invention." 35 U.S.C. §112. In analyzing whether or not a patent complies with the best mode requirement, courts make two factual inquiries. First, courts consider whether the inventor had a best mode of practicing the claimed invention at the time the patent

application was filed. Chemcast v. Arco Indus. Corp., 913 F.2d 923, 927-28 (Fed. Cir.1990). The inquiry is subjective and "addresses whether the inventor must disclose any facts in addition to those sufficient for enablement." United States Gypsum Company v. National Gypsum Company, 74 F.3d 1209, 1212 (Fed. Cir.1996). If the inventor did in fact have a best mode of practicing the claimed invention, the second inquiry is whether the specification adequately disclosed what the inventor contemplated as the best mode such that those with ordinary skill in the art could practice it. Id. "Assessing the *adequacy* of the disclosure, as opposed to its *necessity*, is largely an objective inquiry that depends on the scope fo the claimed invention and the level of skill in the art." Chemcast Corp., 913 F.2d at 928. Determining whether or not the best mode requirement has been satisfied is considered a question of fact. Northern Telecom Ltd. v. Samsung Electronics Co., Ltd., 215 F.3d 1281, 1286 (Fed. Cir.2000).

Defendants allege that Plaintiffs concealed its own preferred implementation of theoretical win profile, including a way to apply a series of functions and/or factors, such as weighted averages, straight line averages, and/or averages divided by some period of time, as well as theoretical win profiles in the form of tables. Defendants state that Plaintiffs "slipped by" by providing only a

simplified example of the term, which Defendants contest was actually only "theoretical win." Defendants' Reply at 1.

Defendants also note that one of Plaintiffs' inventors, Mr. Boushy, admitted that Plaintiffs had developed specific implementations, some of which were considered preferred. Defendants' Motion at 25. Mr. Boushy testified as follows:

> Q. *** My question is, did you have in mind when you filed the application any specific implementation of an algortihm or formula to calculate theoretical win profile?
>
> A. I think what theoretical win profile is intended to do is it is intended to provide an estimation for the casino as to what the expected win would be from that customer. The specific implementations of that - there are numerous ones that we use internally, and so I wasn't limiting the concept of an estimation for customer valuation to a specific implementation.
>
> Q. You were aware of specific implementations?
>
> A. Uh-huh, I was.

Bagley Decl. Exh. 3 (Boushy transcript), 07/29/02, at 53:11-12; 56:15-16. Mr. Boushy further testified as follows:

> Q. Were some of those [specific implementations] considered by you to be preferred versus other implementations at the time?
>
> A. Yes.

Q. Which one at the time of May 24, 1996 at the time of filing your application was the implementation that you were contemplating with your new system?

A. For the implementation of what?

Q. Theoretical win profile.

* * *

A. An example might be weighed averaging. Example might be straight line averaging. Example might be an average then divided by some period of time in order to create a theoretical win profile.

Id. at 55:13-54:7. Defendants state that because Plaintiffs failed to disclose any implementations of the calculation of theoretical win profile, let alone the preferred ones, Plaintiffs' patents are invalid for failure to comply with the best mode requirement.

In rebuttal, Plaintiffs argue that Defendants failed to put forth any evidence that a best mode was in fact known to the inventors of the patents-in-suit. Plaintiffs contend that the above cited language from Mr. Boushy's testimony does not establish that he perceived a best mode for the patents-in-suit at the time of filing the application. Plaintiffs argue that even though Mr. Boushy may have considered some methods of implementation preferred, that does not establish that any one implementation was considered the best mode. Plaintiffs' Opposition at

39. Plaintiffs point out that he was not asked what implementations he preferred over others. Plaintiffs state that whether or not Mr. Boushy had in mind a best mode as opposed to a preferred mode precludes summary judgment as it is an issue of material fact.

Plaintiffs then state that to the extent that Mr. Boushy expressed a best mode, he was referring to different types of averaging, which was allegedly disclosed in the patent application and patents-in-suit. Id. at 41. Plaintiffs support the contention by pointing to the following language in the patents-in-suit:

> Comps are awarded to a customer according to the customer's **average daily theoretical win**, which is an estimate of the casino's **average daily winnings from the customer** . . . [O]n **average** a casino will win a statistically determinable amount of money, i.e. the theoretical win, from a customer who bets an **average** of $5,000 **per trip** . . .
>
> Comping decisions will at least by based on consistent estimates of the **customer's average** theoretical win profile . . . [T]he **average** daily wager figure will include a large number of data points.

Plaintiffs' Opposition at 41 (citing Oliver Ex. 1 ('647 patent) at 12:56-66, 13:11-21; Ex. 2 ('013 patent) at 14:10-18. 14:31 - 41; Ex. 3 ('362 patent) at 12:66-13:9. 13:21-31; Ex. 4 at HARS 004623-24 (emphasis added)). Plaintiffs state that they were not required to provide any more specific information given that Defendants have not shown that Mr. Boushy had any more specific knowledge of the types of

averaging than that disclosed in the patents-in-suit quoted above, or that he preferred one type of averaging over another. Plaintiffs thereby contend that there is a genuine issue of fact as whether the above disclosure of averaging would have been sufficient for one of ordinary skill in the art. Plaintiffs' Opposition at 42.

The court finds that there are genuine issues of material fact as to whether or not Plaintiffs possessed a best mode of implementing the inventions embodied in the patents-in-suit. While the court finds Plaintiffs' bolding of the word "average" in its patent specifications an inadequate disclosure of the alleged best mode, the court finds that Defendants have not provided sufficient, clear and convincing evidence to establish that Mr. Boushy had a best mode of practicing the invention.

Defendants cite Mr. Boushy listing several types of averaging that were considered preferred. There is, however, a difference between a preferred and a best mode and given the heavy presumption in favor of patent validity, the court declines to invalidate the patent on such a noticeable dearth of evidence as to the subjective state of mind of the inventor, as required by 35 U.S.C. 112. Other courts have required much more definitive statements of the best mode. See United States Gypsum Company v. National Gypsum Company, 74 F.3d 1209, 1213. (Fed. Cir. 1996) (quoting the inventor definitively stating "[a]t the time the

application was filed, I considered a perlite supplied by Silbrico . . . to be the best commercially available. . . ."). Accordingly, the court GRANTS Defendants' Motion for Partial Summary Judgment of Invalidity under 35 U.S.C. § 112.

CONCLUSION

For the reasons stated above, the court GRANTS Defendants' Motion for Summary Judgment.

IT IS SO ORDERED.

DATED: Honolulu, Hawaii, May 26, 2004.

DAVID ALAN EZRA
CHIEF UNITED STATES DISTRICT JUDGE

Harrah's Entertainment Inc., *et al. v.* Station Casinos, Inc., *et al.*, CV-S-01-0825-DAE-RJJ; AMENDED ORDER GRANTING DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT OF INVALIDITY UNDER 35 U.S.C. § 112